

ECO 313, Winter 2019, Required Homework Assignment #1
Due by the start of class on September 16, 2019

Shortly after the financial crisis of 2008, it was widely accepted that the preceding crisis in housing was concentrated in the subprime mortgage market which consist of buyers with poor credit worthiness, inadequate income, or other factors that prevent them from being able to borrow at lower rates. Recently, however, new evidence has suggested that the housing crisis may have been more widespread, including the prime mortgage market was well.

Instructions: For this assignment, you are to write a policy memo of no more than 1000 words briefly summarizing this controversy. It is up to you whether or not you wish to take a side, but you should make sure to present both sides of the debate. Your target audience is a policy maker who is not a professional economist, but who is involved in regulating the mortgage industry.

To get you started, here are two papers. The first was published in 2009 and documents the role of the subprime mortgage market:

Mian, A. and A. Sufi. 2009. “The Consequences of Mortgage Credit Expansion: Evidence from the U.S. Mortgage Default Crisis”, *Quarterly Journal of Economics*, Vol. 124: 1449-1496.

The second is a recent working paper that also looks at the prime mortgage market was well:

Ferreira, F. and J. Gyourko. 2015. “A New Look at the U.S. Foreclosure Crisis: Panel Data Evidence of Prime and Subprime Borrowers from 1997-2012.” *NBER Working paper #21261*.

While you may discuss these papers and their conclusions with other students, you are expected to prepare your document individually. As always, you are expected to provide appropriate credit to the sources that you use. You may choose any reasonable citation style.